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Professional Builder® & Remodeler

THE ONE MAGAZINE FOR THE DIVERSIFIED BUILDER

MID-JULY 1992

PRODUCTS/TECHNOLOGY

Innovations Used On-Site...57

1992 Supplier's Survey
Builders and Suppliers Speak Out...72

Top 50 Products...22

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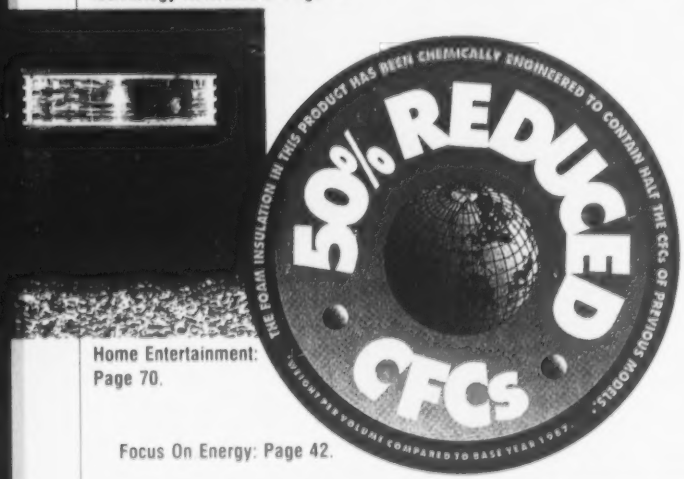
Contents

Technology Roundtable: Page 14.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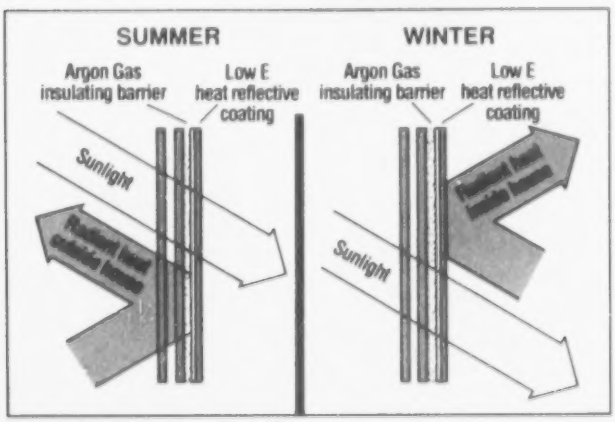
Home Entertainment: Page 70.

Focus On Energy: Page 42.



State-Of-The-Art Windows: Page 46.

Editorial 9
Editor-In-Chief Roy Diez offers a quick overview of what's in this exciting new issue.

Building Products Expo 13
The National Building Products Expo & Conference is set to premiere on August 14 in conjunction with the National Hardware Show.

Industry Roundtable 14
A unique and wide-ranging Building Industry Roundtable, co-sponsored by this magazine and NAHB, brought together key suppliers and builders.

Fifty Hot Products 22
Request in-depth manufacturer information on our magazine's 50 leading inquiry generators.

Product Critique: Healthy Homes 30
Indoor air quality is becoming one of the more controversial issues in home building. Here are ideas on producing a marketable "healthy house."

Hi-Tech Fireplaces 39
There are a variety of imaginative new ideas in this field, ranging from more realistic appearing gas-fueled stoves and fireplaces, to models that use fiber optics.

Energy Efficiency 42
Builders, who already are at the forefront of the energy-efficiency movement, will be further challenged by new federal and local legislation.

Window Innovations 46
From "warm edge" technology to the NFRC universal rating system, a host of new ideas are coming down the pipeline to challenge builders.

Technology On-Site 57
Some new home builders and remodelers are using adaptable plans to meet the special needs of disabled buyers.

Water Conservation 60
Xeriscaping, water-saving household fixtures, and waste-water diversion systems for outdoor use.

Merchandising Aids 65
Here's a quick snapshot of some useful supplier merchandising programs, kits and sales tools.

Product Research 66
Buyers pay attention to brand names, and will pay more upfront to save money down the road.

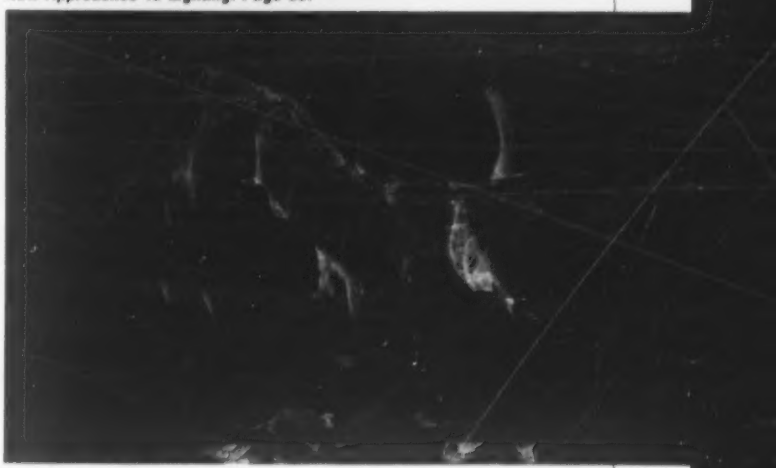
1992 Supplier Survey 72
An exclusive survey identifies supply, pricing, design and marketing trends, and examines how builders and suppliers perceive each other.

Lighting Design 85
Industry experts say good lighting can set a builder's product apart from the pack. Here are some illuminating strategies.

Reader Service Card 105
To receive information on any of the "circle number" items in this issue, please use our convenient reader

Home Controls: Page 82.

New Approaches To Lighting: Page 85.



High-Tech Fireplaces: Page 39.

Conserving Water On-Site: Page 60.

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1992 Supplier Survey

By Susan Bady, Senior Editor,
and Andrea LaFreniere, Associate Editor

Professional Builder & Remodeler *magazine published results of its second nationwide survey of suppliers and builders in the October 1987 issue.* PB&R *surveyed builders and suppliers for the third time this spring, asking their opinions about price increases, material availability and buying and selling practices. The following report is based on responses from 362 builders and 211 building material manufacturers.*

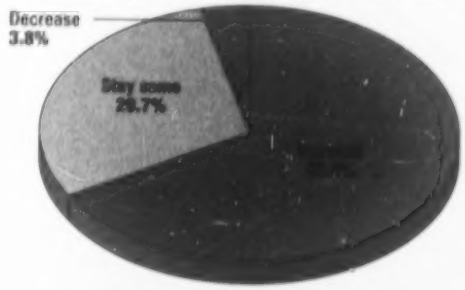
About 87% of the responding suppliers market nationally. A little less than half base 75% to 100% of their business on housing and light construction.

The survey identifies supply, pricing, design and marketing trends, and examines pricing strategies, merchandising, and how builders and suppliers perceive each other.

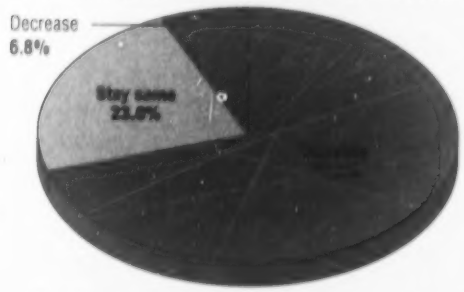
Will Prices Jump Now Or In '93?

On average, builders anticipate a 6.4% increase in material prices in 1992, and a 5.5% increase during the first six months of 1993. Most suppliers think this won't be a problem until next year, when they expect a 4.4% increase.

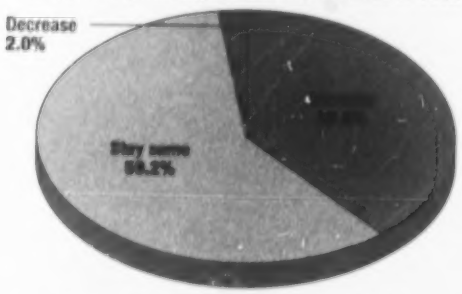
Builders' price expectations for balance of 1992



Builders' price expectations for first half of 1993



Suppliers' price expectations for balance of 1992



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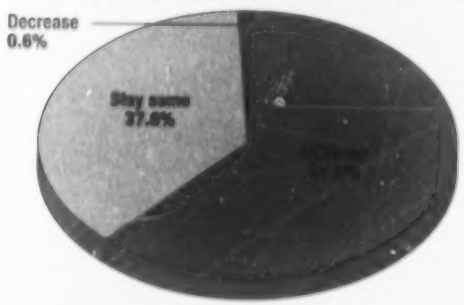


Suppliers Don't See Price Hikes Until 1993

As in the 1987 survey, builders and suppliers show the most marked disagreement on product availability and prices. Builders are more certain that price increases will take effect in 1992, while suppliers believe prices won't increase until 1993 (see charts on preceding page).

Builders are convinced there will be a shortage of wood and wood products over the next 12 months, and that the shortfall will be more pronounced than in 1987. The facts bear out the prediction: lumber prices are on the rise, and many builders are seeking alternatives such as steel-framing and engineered-wood products. Yet, 67.3% of all suppliers say availability problems won't develop in 1992.

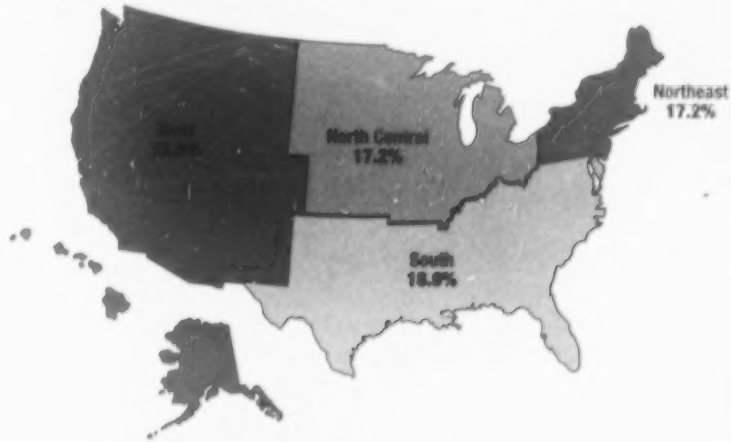
Suppliers say there will be increased emphasis on value, quality and upscale features in building products and materials over the next 12 months. They expect significant change in marketing, technology and distribution.

According to builders, the design and technology of HVAC products and environmental controls need the most improvement. Cabinets and countertops require more effective distribution and marketing. ☐

Shortages Foreseen In South, West

About 33% of suppliers expect shortages in their product category in the next 12 months, more so in the South and West than other regions. They anticipate the most serious shortages to develop in wood and wood products, flooring and doors.

% of suppliers who predict material shortages, by region



Supply Of Wood And Wood Products Will Tighten

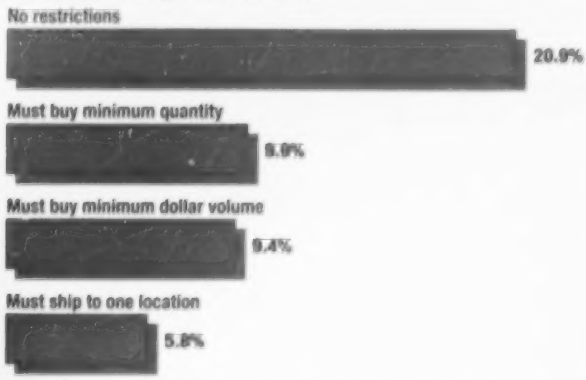
Builders in all parts of the country seem certain that there will be a shortage of wood and wood products over the next 12 months. They also expect shortages in four other product categories.

Product	Northeast	N. Central	South	West
Wood & wood products	82.6%	86.7%	86.6%	87.8%
Moldings & millwork	34.8%	31.1%	35.8%	18.4%
Siding	17.4%	11.1%	22.4%	20.4%
Roofing	4.3%	11.1%	13.4%	16.3%
Wallboard & paneling	4.3%	11.1%	17.9%	8.2%

Suppliers' Conditions For Selling Direct

The biggest advantage to buying materials directly from a manufacturer is getting a better price, say 97.7% of builders. But 62% of suppliers do not sell direct to builders. Those that do usually have no special conditions.

Conditions for selling direct, % suppliers



Payment History Influences Discount

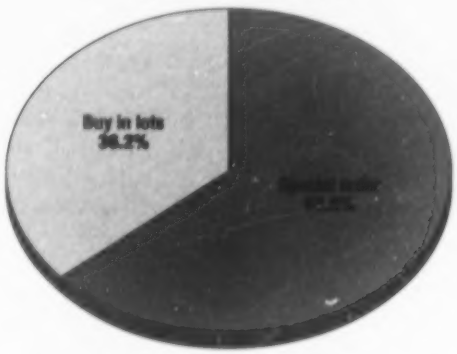
Builders with a history of paying their bills on time are most likely to obtain a discount or favorable delivery terms from a supplier.

Payment assurance	% suppliers
Strong payment history	46.4%
High credit rating	45.5%
Assurance of payment by bank	35.7%
Reputation	22.3%
Other	22.3%
Bonding of builder	12.5%

Special Order For Best Price

To obtain the most competitive price, builders prefer to special order materials and products on a project-by-project basis.

Lots vs. special order, % builders



Builders, Suppliers Still Disagree On Bill Payment

A majority of builders (80%) say they pay their bills within 30 days, but only half of suppliers agree. About 16% of builders say they pay their bills immediately.

How fast builders pay bills	Builders	Suppliers
Pay immediately	16.3%	—
Within 30 days	80.2%	52.8%
Within 60 to 90 days	11.0%	43.8%
More than 90 days	—	3.4%

How Suppliers Honor Product Warranties

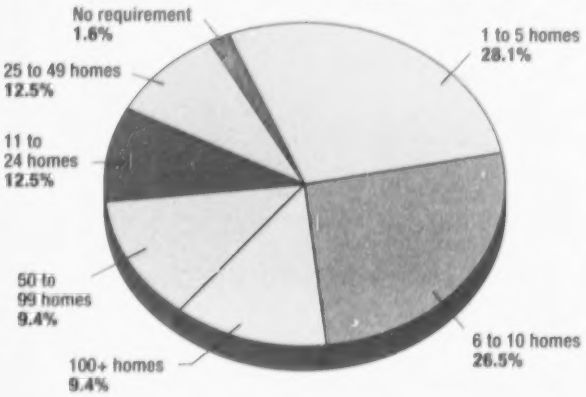
The majority of suppliers honors product warranties. Often, suppliers will give builders a choice when it comes to replacing a faulty product.

How warranties are honored	% suppliers
New material is given to builder to replace faulty materials	72.1%
New material is provided with reimbursement for replacement labor	21.5%
Monetary settlement is made	16.9%
Faulty material is replaced by builder's own crews	15.1%

Small Builders Qualify For Minimum-Order Discounts

Large builders aren't the only ones who qualify for minimum-order discounts. Nearly 55% of suppliers offer them to builders who put up 1 to 10 homes per year.

homes required for discount, % suppliers who offer



Builders More Concerned About Warranty Coverage

The nationwide recession and slowdown in new construction has heightened builders' concern about the warranties they get from their suppliers. Product warranties are important to the marketing of new homes and are often part of a builder's own warranty.

Builders feel model home programs are important, but not many suppliers are providing what they really need. Literature is deemed important by 60.7% of builders, but only 1.2% of suppliers provide it. About 48% of builders say a model home program should include product discounts, but again, only a small percentage of suppliers offer them.

About 45% of suppliers will authorize price breaks or discounts on cumulative order volume over a set period. To qualify for the minimum individual order discount, a builder would have to build an average of 25 homes—considerably less than the 1987 average of 87 homes.

Suppliers feel remodelers are more willing to pay for quality and try new products, but builders are less difficult to service. □

Supplier Price Quotes Same For Regular, Volume Customers

Apparently, it makes little difference to suppliers whether builders are volume customers or regular customers. By and large, supplier price quotes remain effective for about the same time for both groups of buyers.

Effective price time, % suppliers

	For regular customers	For volume customers
At time of sale only	12.6%	9.7%
1 to 30 days	21.1%	18.4%
30 to 60 days	14.3%	16.8%
60 to 90 days	15.4%	15.7%
More than 90 days	36.6%	39.5%

Model Home Programs Vary By Product Type

Builders say product discounts and demonstration displays are the most important components of model home programs. But what suppliers offer varies widely by product. Three examples are given below.

Included in program	Total	Concrete	Plumbing	Siding
Free installation	34.1%	—	45.5%	33.3%
Identification programs	4.9%	—	—	—
Literature	1.2%	50.0%	—	—
Discount on products	1.2%	—	—	16.7%
Demonstration displays	1.2%	—	—	—

How Builders And Suppliers Perceive Each Other

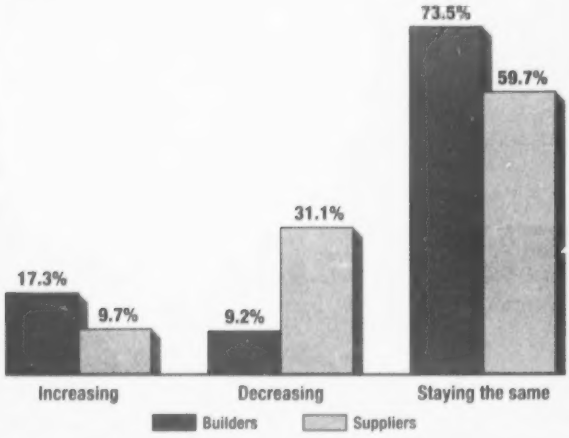
Suppliers generally think builders and remodelers are a good source of business, though slow to change habits. Late deliveries, bad service and shoddy merchandise anger all builders, regardless of size and sales volume.

Suppliers' opinion of builders	% suppliers
Good source of business	63.4%
Slow to change habits	62.1%
Will pay for quality	34.2%
Steady	32.3%
Often install product improperly	31.7%
Discount happy	28.6%

Gripes about suppliers	% builders
Failure to deliver on time	70.8%
Bad service	67.3%
Shoddy merchandise	37.2%
Dishonesty	33.3%
Playing favorites with pricing	22.1%
Seldom get angry with suppliers	13.6%

Do They Agree On Delivery Time?

Although most builders and suppliers generally agree that delivery time on most building products is staying the same, nearly 20% of builders say delivery time is increasing, while nearly a third of suppliers say just the opposite.



Do Suppliers Follow Up On Inquiries?

Most suppliers send only literature in response to product inquiries, say 57.6% of builders. Suppliers maintain that they follow up with a sales call or redirect the inquiry to a local distributor or dealer.

How inquiries are handled	% suppliers
Send literature, follow up with sales call	54.6%
Send inquiry to local distributor or dealer	54.1%
Send literature only	30.8%
Call builder from headquarters	6.5%

Are Suppliers Up To Speed On Product Trends?

Building materials and products of the '90s must be responsive to trends in energy conservation, low maintenance and the environment. A healthy proportion of suppliers are working on new products, and refinements to existing products, that meet these new requirements. Builders recognize suppliers' efforts but feel that a better response is still needed in all three areas.

Asked how they would evaluate products if they were builders, suppliers ranked quality, manufacturer's reputation and delivery/distribution as the top three criteria. However, builders say their primary motivations for buying a specific brand are product performance (58%), price (57.7%), and quality (44.9%).

Manufacturers' co-op advertising allowances are as important to builders now as they were in 1987. Nearly half of all suppliers offer co-op dollars at the distributor level, and 29.1% offer them at the dealer level. At the builder level, co-op allowances are offered in only a few product categories (see chart, this page).

About 65% of suppliers say that construction of single-family homes will be very important to product sales in the next six months. Multifamily construction will have a greater impact on sales in the near future, say 36.7% of suppliers. □

Merchandising Programs Need Improvement

Compared to 1987 survey responses, suppliers are providing more in 5 of the 12 categories of merchandising aids listed below. But builders say they need more operating cost data, product feature displays and displays of the product in use.

Merchandising aids	% suppliers
General product literature	95.5%
Specification information	77.7%
Installation data	68.2%
Catalogs	64.8%
Material/color samples	61.5%
Consumer-oriented literature	58.1%
Samples of warranty	49.7%
Display of product features	42.5%
Displays showing product in use	32.4%
Data on product maintenance needs	29.1%
Data on energy-saving features	21.2%
Data on product operating costs	9.5%

Suppliers Offer Builders Co-op Allowances For Few Products

Don't look for co-op advertising dollars from suppliers at the builder level for products such as cabinets, countertops, ceramic tile, concrete, construction equipment, doors, fireplaces, flooring, tools, HVAC, lighting, paints, roofing, siding, sound systems, paneling, windows or wood.

% of suppliers offering co-op ad allowances	Product Area				
	Appliances	Insulation	Locksets	Moldings/millwork	Plumbing
At distributor level	66.7%	16.7%	20.0%	16.7%	58.3%
At dealer level	33.3%	50.0%	20.0%	33.3%	41.7%
At builder level	16.7%	16.7%	20.0%	16.7%	8.3%

Newspapers Are Top Choice For Co-op

Newspapers, radio and TV are the top three media that qualify for co-op allowances, say suppliers. Newspapers are also the builder's top choice, but brochures and direct mail rank second and third.

	Suppliers offer	Builders want
Newspaper	94.0%	66.8%
Radio	76.1%	27.4%
TV	67.5%	34.7%
Direct mail	64.1%	35.0%
Brochure	54.7%	48.4%
Billboards	53.8%	14.8%

Supply Of Circulars Won't Meet Demand

A little more than half of suppliers provide ad slicks to builders, but only about one-fifth supply other aids such as radio scripts. Circulars have the highest usage, yet only 21.5% of suppliers provide them.

Advertising aids	Suppliers provide	Builders use
Slicks	52.5%	38.4%
Tapes	22.6%	36.1%
Circulars	21.5%	94.0%
Slides	20.3%	27.3%
Radio scripts	19.2%	30.1%

Manufacturers Respond To Energy, Environmental Concerns

In response to national trends toward energy conservation and concern for the environment, manufacturers have taken steps to alter products accordingly.

Response to trends, % suppliers

	Energy conservation	Environmental concerns
Developed whole new products	44.3%	37.9%
Refined existing products	35.9%	35.3%
Emphasized inherent product advantages	37.4%	22.4%
Changed marketing emphasis	24.4%	21.6%
Added to marketing themes	29.0%	30.2%
Increased marketing	26.0%	21.6%

How Suppliers Would Select Building Products

If suppliers had to buy building products, more than half say they would consider the quality of a product before purchasing it. Other important considerations include manufacturer's reputation (34%) and delivery/distribution (31%).

Important factors in choice of product, % suppliers